



DEPARTMENT OF THE ARMY  
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND  
5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333 - 0001

REPLY TO  
ATTENTION OF  
AMCIR (11-2a)

7 Oct 03

MEMORANDUM THRU ASSISTANT SECRETARY OF THE ARMY, (FINANCIAL  
MANAGEMENT AND COMPTROLLER), 109 ARMY PENTAGON, WASHINGTON, DC  
20310-0109

FOR SECRETARY OF THE ARMY, 101 ARMY PENTAGON, WASHINGTON, DC  
20310-0101

SUBJECT: FY 03 Annual Statement of Assurance on Management Controls

1. I have reasonable assurance that management controls throughout the U.S. Army Materiel Command are effective. I have reached the conclusion based on the following:

a. Requiring supporting statements from HQ, AMC Assessable Unit Managers (AUMs) as support for my statement.

b. Requiring supporting statements from Major Subordinate Command and Separate Reporting Activity Commanders as support for my statement.

c. Encouraging senior managers to actively monitor the effectiveness of management controls so that early detection and correction of problems can occur before problems become serious.

2. I am submitting a qualified statement except for the following material weaknesses listed at Enclosure 2.

3. Feeder statement assessments were based on the discussion of management controls in command group staff meetings, management control reviews, reviews of inspections/audit recommendation reports and other verification procedures to ensure that controls are in place and working.

4. Mandatory enclosures are as follows:

a. TAB A - How our Command-wide assessment was conducted (Encl 1).

b. TAB B - Material Weaknesses (Encl 2).

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General, USA  
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## **LEADERSHIP EMPHASIS**

1. CG, AMC published the Army Materiel Command - Transformation White Paper. This paper included information on: The AMC Vision, transforming AMC organization structures, transforming business processes, and transforming the AMC workforce.
2. CG, AMC signed a memorandum, 15 Apr 03, stressing the importance of management controls to subordinate commanders' missions and soliciting their staff's support of the process.
3. Senior Responsible Official discussed reporting new material weaknesses during the command group staff meetings. All designated HQ, AMC Assessable Unit Managers attend these meetings.

### **HQ, AMC ASSESSABLE UNIT MANAGERS:**

#### **DEPUTY CHIEF OF STAFF FOR PERSONNEL - (G-1):**

1. The G-1 re-energized the management control process down to the division level by demonstrating strong support and emphasizing the importance of effective management controls. Management Controls are being incorporated into the performance standards of every manager, supervisor, and team leader. These objectives are considered in the performance ratings under the element of Management/Leadership and Supervision/EEO. Discussed management control processes at senior level staff meetings, and reminded staff to complete all scheduled evaluations prior to 30 September 2003.

#### **DEPUTY CHIEF OF STAFF FOR OPERATIONS - (G-3):**

The assessment for the G-3 is based on management controls that are used on a daily basis. This ensures that actions are being taken to give the G-3 a reasonable level of confidence that management controls are adequate and operating. In addition to the above, the following management controls are in place:

- Single Stock Fund General Officers' Working Group
- National Maintenance Program Executive Committee
- Program Execution Reviews
- Balanced Scorecard (Strategic Readiness System)
- Program Budget Decision – 407 Arsenals
- Operational Board of Directors (OBOD)
- GCSS Army Integration Team (GAIT)
- Chemical Surety Inspections
- Surety Management Reviews
- Physical Security Surveys
- Chemical Stockpile Emergency Preparedness Program (CSEPP) Exercises

## **LEADERSHIP EMPHASIS**

### **HQ, AMC ASSESSABLE UNIT MANAGERS (CONTINUED):**

#### **PUBLIC COMMUNICATIONS - (G-5):**

The entire staff meets weekly to cover a variety of topics to include status of G-5 funding and requirements, and to surface any management deficiencies from other areas of the staff.

We have restructured several positions reorienting the G-5 segment of the HQ AMC workforce to meet the commanding general's intent. All but one of these re-engineered positions have been filled, and we anticipate that the final Public Affairs intern position will be filled by the end of the first quarter of FY04.

#### **DEPUTY CHIEF OF STAFF FOR CORPORATE INFORMATION - (G-6):**

1. Published memorandum on mission critical role of internal management control in regards to Army's transformation and ongoing global war on terrorism, which also outlined my expectations for proactive processes, and continued review of our Management Control Plan.
2. Provided my Division Chiefs with my FY 03 Annual Guidance for implementing our Management Control Plan, reporting material weakness, providing feeder assurance statements and preparation of a revised FY04-08 MCP that is more supportive of the G-6 role in the Army's transformation process.
3. Directed training for all Division Chiefs, supervisory staff and program managers who have responsibilities for or support efforts in internal management control. I opened the training with emphasis on the need for leaders to maximize their efforts in controlling fraud and abuse and to be conscientious cost warriors in utilization of scarce resources.
4. Published specific guidance on the time and attendance procedures in response to Internal Review Audit: REPORT NO. 2003-002, SUBJECT: Audit of Time and Attendance Reporting at HQAMC.
5. Held several in-progress-reviews on efforts to more properly align internal control management process and applicable checklists to reflect program intent within limited resources.

## **LEADERSHIP EMPHASIS**

### **HQ, AMC ASSESSABLE UNIT MANAGERS (CONTINUED):**

#### **DEPUTY CHIEF OF STAFF FOR RESOURCE MANAGEMENT - (G-8):**

1. ODCSRM, G-8 requires each division chief to submit an assurance statement to the DCSRM, G-8, similar to the one the DCSRM, G-8 provides to the CG, AMC. The procedure reflects the pyramidal process by which the government's annual assurance to Congress is built, from the lowest level reporting elements in each agency through the full agency structure and the President to Congress. It also involves the DCSRM, G-8 division chiefs and their staffs more directly in the annual assurance process.
2. The ODCSRM, G-8 maintains the AMC Executive Training Guide for Financial Management, a comprehensive manual on financial management processes peculiar to AMC. This publication is designed as a primer and deskside reference primarily for AMC executives and action officers who occupy positions involving management of AMC's financial resources. This 100-page manual describes all the principal appropriations and funds managed by AMC and the programming, budgeting and execution process at directorate, MSC and major command level. It addresses management's responsibilities regarding the administrative control of funds and related topics including management controls, internal review and audit compliance, cost and economic analysis and automated accounting systems.
3. The DCSRM, G-8 has been designated as the HQ, AMC lead for the Chief Financial Officer's (CFO) Act Implementation and Strategic Plan. The CFO Strategic Plan is a DA initiative developed to comply with the CFO Act by obtaining a clean audit opinion on DA annual financial statements.

#### **OFFICE OF COMMAND COUNSEL - (AMCCC):**

An explicit statement is included in performance standards for positions with management control responsibilities.

#### **OFFICE OF EQUAL OPPORTUNITY - (AMCEE):**

Director, Office of Equal Opportunity prepared memos to all AMC EEO Officers on the Complaints Processing Policy for FY 03 and FY 04. Changing leadership requirements divided between MACOM oversight and IMA functions required AMC to retain complaint processing because of duplication and sensitive issues.

## **LEADERSHIP EMPHASIS**

### **HQ, AMC ASSESSABLE UNIT MANAGERS (CONTINUED):**

#### **OFFICE OF COMMAND PROCUREMENT - (AMCCP):**

1. Consolidated input from the Major Subordinate Commands and reported to HQDA on:
  - a. Fraudulent and/or questionable purchase card transactions. (Semi-annually).
  - b. Billing official accounts where the ratio of cardholders to billing officials exceeds DOD standards (Semi-annually).
  - c. Inactive cardholder accounts. (Semi-annually).
  - d. Billing official accounts that have not been paid via electronic data interchange (EDI) for payments to bank (Quarterly).
2. External (PLT) for reporting requirements. The issuance of long-term contracts is being encouraged throughout AMC contracting activities to reduce ALT. In addition, quarterly reviews continue to be performed to ensure each Inventory Control Point (ICP) used to track ALT/PLT data is meeting established goals. These reviews also track input data for accuracy and discrepancies. The review found that each ICP is making adequate progress toward their goals. Reduced ALT/PLT equals reduced inventory. This saves dollars both in the direct cost of inventory, and in the cost of stockpiling inventory.

#### **INSPECTOR GENERAL - (AMCIG):**

1. Conducted a Command-wide IG Assistance and Assessment Program (IGAAP) survey at HQ, AMC Commander's request. The IGAAP assesses eight areas. This program methodology continues to improve use of personnel resources and reduce travel costs.
2. Conducted MACOM level oversight of Surety Management Reviews for the Command as directed by HQ, AMC Commander.
3. Served as an advisor for the Chemical Surety Board.

## **LEADERSHIP EMPHASIS**

### **MAJOR SUBORDINATE COMMANDS:**

#### **ARMY RESEARCH LABORATORY (ARL)**

1. Directorate Directors hold regular senior staff meetings to discuss various management issues, which include budget, metrics, suspenses, management controls, environmental assessments, and issues on training and manpower/personnel.
2. The Survivability Lethality Analysis Directorate (SLAD) Director issued a policy to the subordinate level supervisors in SLAD divisions emphasizing the importance of maintaining prescribed internal controls. In addition, staff meetings are conducted at the division level where internal controls are a discussion topic. All supervisors within the Directorate provide an assurance statement to their supervisor.
3. At the beginning of the fiscal year, all branch chiefs and ARL Assessable Unit Managers (AUMs) were provided a time schedule reminding them of due dates for various MC reports.
4. The Management Control Administrator (MCA) prepared numerous memorandums for signature of the Director, Chief of Staff, and Resource Manager regarding the management control program, processes, evaluations, training materials, and material weaknesses. These memorandums were distributed to the ARL Branch Chief level and Assessable Unit Managers (AUMs) to increase awareness and ensure everyone realizes their responsibilities for the adequacy of the management control process.
5. Chief of Staff (COS): Sixty-four personnel spaces were realigned in the ARL organizational structure on 1 June 2003, resulting in better control, on-site lines of reporting, and operating efficiency. Eleven budget personnel were reassigned to the technical directorates they support; and two Experimental Support Groups were established, one at APG and one at WSMR which encompass 53 on-site personnel in Logistics, Intelligence, and Environmental functions (40 at APG, and 13 at WSMR).

#### **AVIATION AND MISSILE COMMAND (AMCOM)**

1. The Commanding General signed a memorandum, dated 22 May 03, that stresses the importance of the MCP AMCOM wide. The memorandum stresses the importance of management controls which are the rules, procedures, techniques, and devices employed by managers to ensure what should happen in daily operations does occur on a continuing basis. Memorandum was distributed to all managers/supervisors.
2. Management controls are given a high priority and management encourages a positive attitude toward the controls. Emphasis is placed on controls to ensure that all responsible

officials have contribution goals or performance standards on management control responsibilities.

### **LEADERSHIP EMPHASIS (CONTINUED)**

#### **AVIATION AND MISSILE COMMAND (AMCOM) (CONTINUED):**

3. Several major changes occurred at AMCOM during FY 03. The first was the Operational Control of the Garrison to the Installation Management Activity on 1 Oct FY 03. The second was the transfer of Aviation and Missile Research, Development, and Engineering Directorate to the Research, Development, and Engineering Command on 6 June 03. These areas have been included in our Annual Statement of Assurance for this fiscal year.

#### **COMMUNICATIONS-ELECTRONICS COMMAND (CECOM)**

1. Conducted an MCP executive conference with organizational directors on 9 Jun 03. Emphasis was placed on identifying and correcting material weaknesses. This process is used as a forum to discuss organizational efforts in MCP to include training, checklist completion, and corrective action plans for new and prior year material weaknesses.

2. A memorandum prepared and signed by the Commander, CECOM, 21 May 03. This memorandum provides the leadership and support needed to ensure proper controls are in place and operating effectively. The CECOM memorandum makes a very strong statement to the effect that the MCP is not an end but a means to two important ends: to ensure mission accomplishment, and the sound stewardship of public resources entrusted to this Command. All of CECOM takes pride in protecting our resources so that this command will epitomize the true "Army of Excellence". This memorandum was distributed throughout CECOM worldwide and published on the Army Knowledge Center.

#### **JOINT MUNITIONS COMMAND (JMC - FORMERLY OSC)**

1. The JMC CG signed and issued a Command Emphasis memorandum dated 5 May 2003 on the US Army Joint Munitions Command Management Control Process. It addresses preventing waste, fraud, and abuse through diligent application of sound management control principles.

2. JMC CG formally appointed assessable unit managers (AUMs) within JMC and outlined their management control responsibilities and his expectations.

3. At the direction of the JMC CG, we established an Executive Steering Group (ESG) on Management Controls within HQ JMC comprised of senior level managers. The ESG reviews potential material weaknesses and makes recommendations to the CG. The JMC deputies, assistant chiefs of staff, organizations, and installations reported four potential new material weaknesses to the JMC CG. The JMC Management Controls ESG met and recommended that JMC report no new material weakness to Headquarters, U.S. Army Materiel Command.

## **LEADERSHIP EMPHASIS (CONTINUED)**

### **SOLDIER AND BIOLOGICAL CHEMICAL COMMAND (SBCCOM)**

1. Command emphasis and focus for imbedded management controls is key for SBCCOM's diversified and transitioning missions of empowered assessable units. Each AUM appointed prior to the beginning of FY03, received a personal memorandum highlighting the importance of proactive management controls and the requirements/training representations for the overall process. As Commander of SBCCOM, I reiterate my MC philosophy that includes identification and correction of deficiencies before they become a finding/weakness.
2. Our Chief of Staff/Senior Responsible Official (SRO) provides focus/leadership interest to the process and provides the initial MC process overview at our annual MC workshop. At the workshop, the SRO reiterates the MC requirements and Command policy/intent, and AUMs and/or Management Control Administrators (MCA) are trained on the features/use of the Command's automated management control reporting tool (MCRT).

### **TANK-AUTOMOTIVE AND ARMAMENTS COMMAND (TACOM)**

The Annual Statement of Assurance was briefed to the Deputy to the Commanding General at an annual Desk Top Video (DTV) session attended by representatives from the various TACOM organizations. Pertinent actions and issues pertaining to Management Control Processes were discussed, to include the status of all reported material weaknesses.

A memorandum from the AMC Commander stressing the importance of the Management Control Program and the need for internal controls was distributed to the leaders and associates within the TACOM community.

## **SEPARATE REPORTING ACTIVITIES**

### **ARMY MATERIEL SYSTEMS ANALYSIS ACTIVITY - (AMSAA):**

Weekly senior management council meetings to advise the director of possible weaknesses and providing proposals for improving internal management controls.

### **LOGISTICS SUPPORT ACTIVITY - (LOGSA):**

Guidance is provided to LOGSA employees in LOGSA Memorandum 11-1, Management Control Program.



The Commander provided a memorandum on the management control process to Assessable Unit Managers (AUM) identifying the importance of a successful management control program.

### **LEADERSHIP EMPHASIS (CONTINUED):**

#### **INTEGRATED PROCUREMENT SYSTEMS OFFICE - (IPSO):**

The Integrated Procurement Systems Office continually participates in on-site planning and reviews with all of the Major Subordinate Commands (MSCs) to review progress toward meeting the paper-free mandates and enterprise business processes. In addition, Video Teleconferences are held on a periodic basis with MSC representatives assigned to the Procurement Business Process Group and The Procurement Subgroup of the Acquisition-Engineering Integration Board. The IPS Office provides the overall management for these groups and facilitates the review and the establishment of priorities for System Change Requests (SCRs) to the automated contract writing systems and electronic commerce systems.

#### **INTELLIGENCE AND TECHNOLOGY SECURITY ACTIVITY - (ITSA):**

1. Heightened awareness of management controls and formal responsibility for its adequacy was stressed to all ITSA personnel by the Director, ITSA and the Deputy Chief of Staff for Intelligence.
2. The Director, ITSA directed the development and maintenance of an Individual Management Control Plan to describe how key management controls in the assessable unit (ITSA) were evaluated at least once in a five-year period.

### **MANAGEMENT CONTROL TRAINING**

1. Realignment of the HQ, AMC staff continues. Obtained funding to conduct an on-site training class for HQ, AMC Assessable Unit Managers in FY 04.
2. Management Control Process Training has been conducted at all levels. Major subordinate commands and separate reporting activities have conducted training on a wide scale using various methods (new training CD, formal and informal training, USDA classes, and workshops, etc.). Training sessions included Assessable Unit Managers, management control administrators and other managers.
3. Training Statistics for FY 03:
  - a. Total managers and management control administrators that received management control training (command-wide): 4,425.

b. USDA Training: 10

c. In-house: Formal: 3,211  
Informal: 1,204

## **EXECUTION**

Assessable Unit Managers (AUMs) have been designated and individual management control plans have been developed command-wide. Feeder statements are required from everyone. Management Control Administrators have been appointed and updated within HQ, AMC and subordinate commands. HQ, AMC MCA distributed management control guidance using various methods. An email network is also in place to distribute guidance quickly. Updating management control information on IRAC home page in order to provide faster and better service.

### **DEPUTY CHIEF OF STAFF - (G-1):**

1. In May 2003, HQAMC IRAC conducted an audit of the government travel card program. G-1 conducted a careful review and implemented stricter guidance that has increased the awareness of the program and issued new control measures to expand the notification procedures and timelines for delinquent accounts associated with the government travel card.
2. G-1 established the policies and procedures for inputting time and attendance for all FY 03 summer hires. The G-1 Administrative Division input all time and attendance for the summer hires, ensuring effective management controls were in place throughout the Headquarters.
3. The Equal Opportunity Office and the Retention Office conducted over 20 staff assistance visits during FY 03 ensuring that AMC MSC's and SRA's had proper management controls in place in relation to Equal Opportunity and Retention.
4. The G-1 implemented a plan that involves bringing all their IMPAC cardholders together once a month to discuss future purchase requirements and updates cardholders on illegal purchases. During the meeting all cardholders submit their vouchers, with their purchase lists to the APC. All new policies and procedures implemented by DCC-W are also discussed and briefed. This enables a better Management Control with the purchase card program within the G-1.
5. Developed Human Resource Revitalization Strategic Planning document and integrated G-1 planning efforts with Army and AMC functionals. These documents include AMC Strategic Plan and AMC Transformation Campaign Plan. Developed HR portion of the Level 1 Balanced Scorecard and the Level 2 G-1 Balanced Scorecard.

## **EXECUTION (CONTINUED)**

### **DEPUTY CHIEF OF STAFF FOR OPERATIONS - (G-3):**

1. Review of functional responsibilities and the Management Control Regulation, Standards and Processes to ensure managers and commanders have knowledge of requirements. Managers were provided the specified list of management control evaluations. Maintained a framework for responsibility and accountability to reflect the changes to the Army management control process and to achieve the objectives of management controls.
2. A new management control administrator has been appointed to:
  - a. Distribute guidance and requirements to improve the administration of the management control process.
  - b. Maintain records on the status of reported weaknesses through updated correction.
  - c. Perform an update of material weaknesses and review of operations to detect new material weaknesses.
  - d. Provide feedback on the FY 02 Annual Statement of Assurance (DOD, and AMC) to the G-3 managers.
  - e. Continue an aggressive training program to provide assistance to all managers and to ensure every manager understands the GAO Standards and how to apply them in their daily operations.

### **PUBLIC COMMUNICATIONS - (G-5):**

The addition of the G-5 Balanced Scorecard as part of the implementation of the Strategic Readiness System has contributed to the overall management of this G-staff element. Recent adjustments to the scorecard and its emphasis on leading indicators reflects the practical application of this tool to assist the Chief, G-5 to determine the effectiveness of strategic communications plans. It helps clarify G-5 contribution to the Army and AMC strategic plans, and orient staff actions toward achieving the Army's strategic goals.

### **DEPUTY CHIEF OF STAFF FOR CORPORATE INFORMATION - (G-6):**

1. Published specific guidance on the time and attendance procedures in response to Internal Review Audit: REPORT NO. 2003-002, SUBJECT: Audit of Time and Attendance Reporting at HQAMC.
2. Held several in-progress reviews on efforts to more properly align internal control management process and applicable checklists to reflect program intent within limited resources.

## **EXECUTION (CONTINUED)**

### **DEPUTY CHIEF OF STAFF FOR CORPORATE INFORMATION - (G-6 CONTINUED):**

3. Raised concerns to staff to further investigate several areas and if warranted to initiate additional management control processes and/or procedures for controls:
  - a. The control and documentation of overtime and compensatory time.
  - b. The development of performance measures for each IT investment before execution or fielding.
  - c. An increase in security awareness and procedures through mandatory training.
  - d. Ensuring repeatability for architecture development and evaluation.
4. Provided guidance on revising our management control plan (FY 04-08) that is more supportive of the G-6 role in the Army's transformation process.

### **DEPUTY CHIEF OF STAFF FOR RESOURCE MANAGEMENT - (G-8):**

1. Improved Managerial Accounting. AMCRM has initiated several actions to improve the performance within the financial management arena. One of these initiatives has been the continual strengthening of the Joint Reconciliation Program within AMC. Accomplished under a contract with CACI, Inc., the data collection and presentation for this project is fully automated and has reduced the formerly labor intensive effort involved in keying data into spreadsheets and creating charts, from several days to a matter of minutes, to produce the same output products. This has allowed more time for critical staff analysis. As a result, unliquidated balances for canceling year accounts are at an all time low for AMC. AMC engaged another contractor, Bearing Point Consulting, to perform contract reconciliations to correct Negative Unliquidated Obligations (NULOs) at the St. Louis Operating Location. In FY03 total NULOs in AMC dropped from \$100.6 million to \$55.9 million.
2. U.S. Government Purchase Card (GPC) Purchase Card Management System (PCMS). In FY02, HQ AMC completed MSC fielding/interface of the U.S. Bank (USB) Customer Automation and Reporting Environment (C.A.R.E.) GPC billing application with the AMC PCMS, resulting in electronic invoicing between AMC and USB. HQ AMC GPC accounts have begun C.A.R.E. conversion in FY03.
3. U.S. Government Purchase Card (GPC) Program. The DCSRM, G-8 collaborates with the Office of Command Procurement to identify GPC delinquencies throughout AMC, as well as respond to various internal/external audit inquiries regarding the GPC Program. During FY03, HQ AMC virtually eliminated GPC delinquencies and used the PCMS/C.A.R.E. reporting mechanisms to avoid instances of GPC fraud throughout AMC.

## **EXECUTION (CONTINUED)**

### **DEPUTY CHIEF OF STAFF FOR RESOURCE MANAGEMENT (G-8 CONTINUED):**

Although USAAA, DODIG, and GAO audits of AMC sites have revealed some questionable GPC purchases, there were no reported instances of fraud. The audits resulted in issuance of DOD and Army policies for enhanced control/management of the GPC Program. USAAA continues a collaborative effort with AMC Internal Review on behalf of the DODIG to review GPC purchases at AMC sites based on a "data mining" technique USAAA used with the Defense Management Data Center DataBase. In Jun 03 the DCSRM, G-8 disseminated the GAO Purchase Card Guide to AMC MSCs for distribution to all MACOM Agency Program Coordinators (APC). This guide outlines the statutory and regulatory bases of the card programs and includes checklists for APCs and managers to identify and eliminate problem areas where there may be the potential for fraud or misuse.

4. U.S. Government Travel Card (GTC) Program. HQ AMC continued as the best Army Program Coordinator (APC) in terms of GTC delinquency rate. AMC GTC delinquencies have dropped below 2% (Army Goal: 4%) as AMC continued its zero tolerance policy for delinquencies. AMC provided HQDA a "Best Practices" model for presentation at the 4th annual GSA SmartPay Conference. Additionally, all DCSRM, G-8 personnel have been required to complete the web-based training "Upholding the Integrity of the Charge Card Program". This training will become an annual requirement for all G-8 personnel.

5. U.S. Government (USG) Department of Defense Travel System (DTS). HQ AMC has collaborated with the DOD DTS Program Management Office (PMO) and HQDA to begin DTS fielding throughout AMC. The DTS not only streamlines travel processing but also provides a singular budget and accounting reporting mechanism for Command stewardship of scarce travel resources. DTS fielding at Garrison, APG is the first USG business application to include the use of the state-of-the-art Common Access Card (CAC) Public Key Infrastructure (PKI). DTS and CAC/PKI will revolutionize the AMC travel business practice by automating internal controls and travel processing to the level consistent with effective management control of the GTC Program.

6. Following visits to several depots, OSD and DA analysts identified the absence of an effective methods and standards program as a significant management weakness. Currently, the methods and standards personnel are actively participating in implementation of the LEAN initiative to study workflow, propose process improvements and document the validity of cost and time saved.

## **EXECUTION (CONTINUED)**

### **DEPUTY CHIEF OF STAFF FOR RESOURCE MANAGEMENT - (G-8 CONTINUED):**

7. Validation of PPBES Estimates. In FY03, the HQ AMC DCSRM, G-8 increased efforts to assure the preparation and validation of credible estimates for the PPBES in accordance with AMC R 37-4. These efforts enhanced documentation and definition of total program requirements, funded and unfunded. The MSC Cost Analysis offices were also provided significant cost validation and estimation assignments for AMC projects. Finally, economic analyses were being held to higher, more rigorous standards for approval, to include proper and complete documentation, alternative analyses, beneficial payback results, and validation reviews. These internal control activities are intended to continue into future years.

8. Reduction of Aged In-Transit Inventories. Past USAAA audits have determined that AMC's Integrated Materiel Management Centers (IMMC) and the Defense Finance and Accounting Service (DFAS) were not adequately reconciling financial and logistical inventory records. In cases where discrepancies were identified, the logistical numbers were accepted at face value and the variances were never researched and analyzed. As a result, in FY01 AMC had \$309M of customer in-transit transactions that were over 90 days old. AMC has since stepped up its efforts, in concert with DFAS-St. Louis to clear these aged in-transit records. As of 30 Apr 03, DFAS and AMC have reduced these 90-day in-transits to \$19.4M. AMC is working closely with its IMMCs via the Joint Reconciliation Program to vet these remaining in-transits, validate all transactions with supporting documentation and monitor the status of aging in-transits.

### **OFFICE OF COMMAND PROCUREMENT - (AMCCP):**

1. AMCCP-O is the oversight activity for all contracting activity within AMC to include Secure Environment Contracting and A-76 studies. They performed periodic procurement management reviews, annual reviews of Secure Environment Contracting, periodic metric reviews, and HQ management of A-76 evaluation and appeals processes. Those reviews found no material weaknesses. Following the identification of a possible weakness by the OSD Director of Defense Procurement in a letter dated 21 March 2002; an investigation was conducted as part of a procurement management review at JMC in November 2002 and CECOM May 2003. TACOM is scheduled for a review during the first quarter FY 04. The review at TACOM will complete the cycle of pricing reviews and closeout review of the possible material weakness.

2. AMCCP-O reviews all requests for Command Contract Advisory and Assistance Services and reports all ongoing studies under the Army Study Program to the Department of the Army (DA). No material weaknesses were identified. In FY 03, it tracked all CAAS actions using the database it established in FY 2001, performed rigorous reviews of all requests for services, obtained command approval for high dollar actions, and reviewed field CAAS programs as part of a focus PMR for services. Army studies were reviewed in order to eliminate duplication and optimize resource use.

## **EXECUTION (CONTINUED)**

### **OFFICE OF COMMAND PROCUREMENT - (AMCCP CONTINUED):**

3. AMCCP-O is the oversight activity for all Civilian and Military contracting personnel assigned to AMC. No material weaknesses are identified. In FY 03, information was provided via web site to the field, shared experiences and information was included on the Subject Matter Expert site (within the Division web site), and management of the Acquisition Career Experience Program (ACEP) to attract college students into acquisition positions within AMC continued.

### **AMC OFFICE OF COMMAND COUNSEL (AMCCC)**

Made widespread notification of the publication of AMC's Management Control Plan to ensure all managers are aware of available evaluations and scheduled requirements for formal use. There were now specific evaluations scheduled for FY03, however routine audits, inspections and reviews were conducted. Additionally, one outside agency review was conducted on our IMPAC program yielding favorable results. In addition to routine spot checks by our Executive Officer, our office conducted a 100% inventory of all Government property in accordance with AR 735-25 and AR 740-26. The audit was completed with full accountability for all Government property charged to our property account.

### **INSPECTOR GENERAL - (AMCIG):**

1. Developed and maintained an individual Management Control Plan for the Office of the IG and the AMC IG Activity. Provided assistance to Major Subordinate Command (MSC) IGs as requested regarding management control program requirements and training.
2. Conducted semi-annual inventories of IG Activity hand receipts resulting in 100% accountability of all property.
3. Conducted monthly review of purchase cardholder records and travel cardholder purchases.
4. Reviewed Chemical Surety Inspection corrective action responses to ensure they were complete and were in the required format.
5. Reviewed corrective action responses to systemic inspections to determine if deficiencies were corrected.
6. Review of the AMC IG Billing Official's records by Defense Contracting Command Washington resulted in a positive report that provided feedback on how well our organization handles records and purchases. Records were in good condition and there were no findings.



## **EXECUTION (CONTINUED)**

### **MAJOR SUBORDINATE COMMANDS:**

#### **ARMY RESEARCH LABORATORY (ARL)**

1. The MCA, Internal Auditor, and Inspector General maintained close contact to ensure coordination of pertinent actions.
2. Computational and Information Sciences Directorate (CISD): Utilizes the semi-annual review and updates the various categories included in the Directorate's metrics as the basis for ensuring management control objectives are met.
3. The Director Human Research and Engineering Director held weekly staff meetings and four "Town Halls," an HRED TAB Review, and visited 14 of 22 field elements to conduct program reviews. Streamlined the numbers of IMPAC card holders and the number of authorized buyers for office supplies for more effective control and efficiency. Procurement Analyst reviewed all credit card purchases and invoices to ensure appropriate adherence to applicable regulations, policy, and procedures. Periodically conducted inspections to review procedures for timekeeping, overtime, travel approvals, award approvals, mission need statement approvals, and property accountability.
4. Internal Review and Audit Compliance Office (IRAC): The ARL IRAC Auditor examined applicable internal management controls for the areas covered in internal reviews as a routine part of each audit. All replies to audit recommendations issued to ARL are reviewed and coordinated with the appropriate organizational elements to ensure that those, which relate to deficiencies in internal controls, are appropriately addressed and acted upon. Additionally, follow-up is initiated on commitments to ensure that agreed upon action is taken. As a part of all audits (internal and external) and inspections where significant deficiencies are identified, the responsible managers are asked to make a determination of materiality and to report those determined to be "material" to the ARL Management Control Administrator. An annual audit is conducted on the status of all ARL material weaknesses with the prior year Director's assurance statement to confirm completion of corrective actions and assessing the efficiency in the resolution of the weaknesses.
5. Deputy Chief of Staff for Installations, Logistics, and Environment (DCSIL&E): The DCSIL&E personally made site visits at Aberdeen, White Sands, and Adelphi locations and randomly conducted spot checks to ensure procedures were being followed and management control reliability was being maintained. Reviewed historical plans to provide insight on previous potential problem areas. Currently working with division chiefs to improve controls in all areas and anticipates making several improvements in the automation arena to assist in safeguarding assets.

## **EXECUTION (CONTINUED)**

6. Logistics Division: The Command Supply Discipline Program (CSDP) checklists have been updated IAW AR 710-2 for the areas of Supply Support and Property Book. These checklists are completed on an annual basis.

### **AVIATION AND MISSILE COMMAND (AMCOM)**

The evaluation of the MCP by AMCOM organizations included the use of various alternative evaluation processes in addition to the use of standardized checklists. The methods used are addressed on Enclosure 2. Many organizations also completed internal checklists on administrative issues within their individual offices, which are not reflected on our 5-year plan.

Each assessable unit submits input for the 5-year Management Control Plan. The MCA and the unit points of contact work together to ensure that the evaluations are properly scheduled and that all evaluations are completed prior to the ASA suspense.

The MCA and unit points of contact attend audit conferences and review the audit reports to determine if any findings relate to management control shortcomings.

AVIATION AND MISSILE RESEARCH, DEVELOPMENT, AND ENGINEERING CENTER: Periodic one-day off-site AMRDEC Executive Steering Committee (ESC) meetings in which items of interest/concern to AMRDEC managers and employees are discussed. Also, “refresher” discussions on programs/policies such as property accountability, disability programs, etc.

CORPUS CHRISTI ARMY DEPOT: Two new staff offices were created-Lean/Transition Office (LTO) and Worldwide Aviation Logistics Office (WALO). Weekly progress meetings were held to discuss issues and concerns about the entire reorganization beginning in Apr 02, the month the provisional reorganization was implemented.

### **COMMUNICATIONS-ELECTRONICS COMMAND (CECOM)**

1. CECOM’s MCP Plan ensures that each Department of Army (DA) checklist is completed at least once, and in most cases more than once, every five years. CECOM has a system for the reporting, monitoring, and tracking of corrective actions related to material weaknesses and validation of corrective action on reported material weaknesses

2. A network of management control administrators is in place to distribute guidance and requirements provide assistance to managers and keep senior staff advised to ensure a sound basis for the annual statement of assurance.

3. The following internal audits were conducted by Internal Review and Audit Compliance (IRAC): Review of the IMPAC Credit Card, Review of Government Furnished Equipment in the

Possession of Contractors, Follow up to IRAC Review of GSA Contracts, Follow up to IRAC Review of the Fort Monmouth Consolidated Chaplain's Fund, Follow up to DODIG Review of Foreign National Access to Automated Information Systems.

### **EXECUTION (CONTINUED)**

#### **JOINT MUNITIONS COMMAND (JMC) FORMERLY OSC**

1. The HQ JMC prepared and distributed the JMC Management Control Plan (MCP) along with the management controls evaluation taskings to the JMC subordinate commands, installations, and organizations in March 2003.
2. The MCAs and POCs ensured that responsible officials had performance standards on management control responsibilities and their supervisors rate them on these standards. The AFSC Civilian Executive Assistant directed all division chiefs to include management control objectives in their performance standards.
3. The JMC MCA participated in the Command Assessment program at the following installations: (1) Hawthorne Army Depot, (2) Sierra Army Depot, (3) Watervliet Arsenal, (4) Rock Island Arsenal, (5) Blue Grass Army Depot. The MCA reviewed each installation's management control process for compliance with the requirements of AR 11-2, provided training as requested by the installation, and reviewed and provided feedback on the installations' previous 2 fiscal years' management control evaluations.
4. The JMC MCA reviewed HQ JMC management control evaluations for accuracy, testing documentation, and thoroughness. The MCA provided feedback when needed.
5. The JMC utilizes an audit database developed to identify and track to correction all audit and inspection findings against the JMC. While higher headquarters elements (AMC/DA) are responsible for corrective actions on a number of the audit findings, the database provides an excellent tool for monitoring weaknesses within the JMC.
6. Developed the JMC FY 03 MCP to include all key Army management controls applicable to JMC. We asked our HQ JMC functional offices to review and determine if any new evaluations listed on the Army Inventory of Management Control Evaluations applied to the JMC. If so, the HQ JMC functional office gave us a recommendation on the frequency of the evaluation and which type of JMC organizations/installations needed to do the evaluation. We posted the JMC MCP on the JMC Management Control web page at the following address:  
<http://www.osc.army.mil/rm/rmc/p/MgmtCntls/index.htm>.
7. Metrics. The JMC used metrics to monitor the performance of different functional areas. We use the Metric Management Reporting System for housing our metric system. The JMC elements identify performance metrics and report status of those metrics in a quarterly Review and Analysis (R&A). The R&A process ensures that we track and analyze important performance indicators that constitute an effective control mechanism for safeguarding against waste and mismanagement.

## **EXECUTION (CONTINUED)**

### **JOINT MUNITIONS COMMAND (JMC CONTINUED)**

8. The Procurement Contracting Officers (PCO) did additional program management reviews on Logistics Civil Augmentation Program (LOGCAP) and Army Pre-positioned Stocks (APS) mission contracts. The LOGCAP PCO did operational program reviews in Kuwait and Afghanistan. The APS-3 PCO reviewed the contractor's performance during download operations in Kuwait.

9. The Army Materiel Command Forward – Europe (AMC-FWD-E) hired a full-time MCA who has completed management controls training and is experienced in administering the management controls process at command level. This is a significant improvement over last year when AMC-FWD-E lacked the people to ensure completion of the required evaluations.

### **SOLDIER AND BIOLOGICAL CHEMICAL COMMAND (SBCCOM)**

1. To assist our AUMs with oversight control, the Command issues MC guidance throughout the year, and maintains an automated Command central database file called the Management Control Reporting Tool (MCRT) that is the repository for our five-year inventory schedule of evaluations. This tool provides the AUMs a mechanism to monitor the status of evaluation completions and certifications on a real time basis as the evaluation results are posted for their assessable units. Thus, data to support the AUM's annual assurance feeder statement is more centralized for review and use. Our Command is in the second year of execution for this automated MC process. Enhancements to the automated MCRT this fiscal year include a central file for all AUMS' annual assurance feeder statements, and an access control feature to protect the evaluation result information. The links to our MCRT and all our MC tool are readily available for AUM/MCA use from the SBCCOM internal MC web page. The APG Garrison is now under the Installation Management Agency (IMA) control, but continues to use our automated MCRT pending any new required IMA process. The transitioning CMA (P) and Guardian Brigade (P) five-year inventories are also still within the SBCCOM MCRT.

2. Personnel, from the strategic committee meeting results, are used by G-2, Intelligence and security Office as an MC assessment tool. In addition, the G-2 AUM took advantage of the AMC Security Support Detachment inspection process as an additional assessment tool this reporting period. These assessment tools, coupled with the evaluation results using DA MC checklists, helped the G-2 AUM determine the unit's state of compliance.

The AUMs use feedback from existing inspections, surveys, reviews, audits, assessments, and planning, programming, and execution processes, as well as MC evaluation results when attesting to the level of compliance.

Physical security, property accountability, the purchase card and government travel charge card use; along with MC oversight continue to get extra emphasis.

## **EXECUTION (CONTINUED)**

### **TANK-AUTOMOTIVE AND ARMAMENTS COMMAND (TACOM)**

1. Supervisors, Managers, and Leaders attested to the effectiveness of their management controls in FY03. Supervisory and managerial personnel reviewed all pertinent Management Control Process evaluations and checklists for timeliness, adequacy and results. TACOM MCA required feeder statements from subordinates. Checklists are prepared at all levels of an organization during the annual statement exercise. Once checklists are applied and statements are completed, the Business Group leader signs a “rolled up” statement prepared by a designated MCP representative. These statements are then consolidated into a final response.
2. Distribution of Guidance. Direction from AMC is received and passed downward through the network of MCP POC’s at all TACOM Sites. A customer focused approach is taken for completion of the Annual Statement of Assurance by ensuring that all required information is provided electronically to the organizational MCP action officers (5 Year Plan, applicable checklists, additional instructions/guidance, etc.).
3. Performed various alternative evaluations through inspections by the IG Office, audit reviews by IRAC Office and as requested by management.
4. Use of existing management review processes. TACOM management builds controls into daily business processes wherever possible to ensure the successful and effective completion of mission requirements. In our periodic MCP newsletter, we stressed that from the Commander on down, all managers benefit from combining good strategic planning with strong management controls.
5. Developed and distributed the “Why Report Material Weaknesses?” video to managers and associates throughout TACOM. In the video, our Deputy to the Commander encourages management support in promoting transformation, establishing strong and effective controls, and reporting material weaknesses. We are continually seeking ways to promote the importance and effectiveness of the MCP.
6. TACOM-HQ Command Inspection Program; In consonance with initiatives at the AMC/DA level, establishment of a Command Inspection Program at TACOM will establish a higher level of controls on numerous programs across the Command. Early detection of problem areas will lead to earlier correction and cost avoidance/savings.

## **EXECUTION (CONTINUED)**

### **TANK-AUTOMOTIVE AND ARMAMENTS COMMAND (TACOM CONTINUED):**

7. TACOM Acquisition Center Checks and Reviews: Through the use of a wide variety of checks and reviews, the Acquisition Center maintains and improves acquisition procedures at all of our sites. We consistently apply legal reviews and employ/review board oversight on all major acquisitions. Furthermore, each site conducts some form of Procurement Management Review (PMR). PMRs are utilized to analyze contracting methods, processes, and operations to determine whether or not excellence of quality is being maintained throughout all procurement actions.
8. TACOM ANAD Purchase Card Program: Budget and Cost Accounting associates established a new procedure to ensure funds certification on all purchases. In the future, cardholder nomination letters will be forwarded to Resource Analysis Division (RAD) for certification. The total dollar value of purchases for any single month cannot exceed the monthly purchase limits set for the cardholder. Since RAD associates will be notified of the cardholders monthly limits as shown in the appointment letters, this process will provide an additional management control to ensure certification of funds on all purchases as required by DOD 7000.14-R, Volume 5, Chapter 33, page 33-2.
9. TACOM ANAD Travel Card Program: The Directorate of Resources has continued to monitor delinquent travel card payments on a monthly basis. Notification letters are sent to the chain of command of all employees with delinquent accounts. The letters instruct supervisors to take appropriate administrative action in accordance with local Depot policies. This process has helped with meeting the established HQDA goals for delinquency rates.

### **U.S. ARMY SECURITY ASSISTANCE COMMAND (USASAC)**

1. A complete follow-up is conducted on General Accounting Office, U.S. Army Audit Agency and DOD Inspector General findings and recommendations. The Susan's Studies and Analysis Group conducts follow-ups on corrected material weaknesses and verifies that the actions taken to correct the material weaknesses were completed.
2. The USASAC FY03 MCP was developed. Managers were advised of the evaluations that were applicable to their organization and scheduled for mandatory completion during the FY. They were afforded the opportunity to augment the evaluation inventory by identifying particular areas of concern. Twenty-seven evaluations scheduled for completion in FY03 were formally completed and certified.
3. The USASAC MCA developed and disseminated an electronic Management Control

Newsletter which was provided to all managers on a recurring basis. This newsletter focused the attention of managers on the MC process by emphasizing program goals, examples of failed controls, excerpts from AAA, DODIG and GAO Audits, and USASAC performance.

## **EXECUTION (CONTINUED)**

### SEPARATE REPORTING ACTIVITIES

#### ARMY MATERIEL SYSTEMS ANALYSIS ACTIVITY - (AMSAA):

Effective controls are in place to ensure compliance with the provisions of AR 11-2, Management Control; AR 36-2, Audit Reports and Follow-up; AR 623-105, Officer Evaluation Reporting System; and AR 690-400, Total Army Performance Evaluation System. An explicit statement is included in performance agreements for positions with management control responsibilities. Special attention will continue to be placed on inventory control, the travel and government charge card programs, and ADP Security.

Developed AMSAA's Management Control Plan according to HQDA baseline inventory of Management Control Evaluations. Made all functional managers aware of available evaluations and scheduled requirements for formal use. Three evaluations scheduled for completion in FY03 were formally completed and certified by the senior Assessable Unit Manager.

#### INTEGRATED PROCUREMENT SYSTEMS OFFICE - (IPSO):

This office continually participates in on-site planning and reviews with all of the Major Subordinate Commands to review progress toward meeting the paper-free mandates and enterprise business processes. In addition, Video Teleconferences are held on a periodic basis with MSC representatives assigned.

The primary Assessable Unit Manager is also a billing official for the Government Purchase Card

Program. The Defense Contracting Command Washington in FY03 performed an outside audit of the IPS Office purchase card usage and controls. In addition the billing official performed audits on all IPS Office cardholders. No deficiencies were found.

#### INTELLIGENCE AND SECURITY ACTIVITY - (ITSA):

1. The Director, ITSA directed the development and maintenance of an Individual Management Control Plan to describe how key management controls in the assessable unit were evaluated at least once in a five-year period.

2. External and Internal Reviews: A complementary system of internal and external oversight mechanisms is in place. Internal reviews were conducted during staff assistance visits and COMSEC inspections, workshops, functional area assessments, and Intelligence and Security

Program Overview visits conducted by the ITSA Security Support Division. External reviews are conducted by the Defense Intelligence Agency, DA Intelligence Oversight Office, Military District of Washington, Army Audit Agency, and the Department of Defense, Inspector General.

## **EXECUTION (CONTINUED)**

### **LOGISTICS SUPPORT ACTIVITY - (LOGSA):**

1. The LOGSA MCP is evaluated each year to ensure that key controls are identified as needed for each functional area. The current MCP is for FY03-07 and provides for the formal assessment of 13 evaluations. The following evaluations were completed this FY: Anti-Terrorism/Force Protection, AR 525-13; Management Control Program, AR 11-2; and Army Information Management, AR 25-1.
2. Supply Operations. A list of required items is reviewed and approved by the supervisor, funds are certified available, and purchase logs are provided to the warehouse for a document control number prior to the purchase. After purchase, logs are again provided to the warehouse to certify receipt of all items. Statements of account and billing statements are reconciled with completed purchase logs prior to forwarding for payment. The Purchase Card Management System continues to enhance the management control certification of separation of duties and accountability.
3. Property Management. Property is requisitioned by the LOGSA Property Book Officer (PBO) IAW applicable Army regulations and received by trained personnel at the central receiving point. To facilitate accountability and protect against loss, each property book item is assigned a barcode label and documented on the property book line item entry page. End item users that signed for government property book items are subject to a 100 percent biannual inventory conducted by the LOGSA PBO and/or representatives.
4. Management controls for the Army Central Logistics Data Bank (ACLDB) are exercised through a quarterly automated surveillance program with management oversight. With the consolidation of Army cataloging functions at the Defense Logistics Agency (DLA), it was imperative that accuracy of data input to the ACLDB was maintained. The surveillance program highlights data errors for correction by the DLA catalogers. A 96+ percent effectiveness rate, as presented at the quarterly Command Review and Analysis, is being maintained. Management oversight is maintained by reviewing the monthly surveillance effectiveness rates and monitoring discrepancy reports.





## INTERNAL REVIEW SUPPORT - FY 03

<u>COMMAND</u>	<u>WORK YEARS</u>	<u>EXPLANATION</u>
HQ, AMC IRAC	1.10	General MC Process Administration Validation of material weaknesses
AMCOM	0.70	DODIG Final Report D-2003-002 In-depth Review of Welfare Fund Audit of Chaplains Fund Internal Review of USATA's Purchase Card
ARL	1.00	General MC Process Administration. Assessing Annual Statements. Reviewing elements of MC during internal reviews.
CECOM	0.21	Assessing Annual Statements Assessing audit reports for weaknesses Validation of material weaknesses Self Assessment of IRAC MCP Identification material weaknesses
JMC	0.50	Assessing Annual Statements Validating material weaknesses Internal Audit - Nonrecurring Costs Voting Member of ESG General MC Process Administration
SBCCOM	0 (45 hours)	Validation of material weaknesses Assessing Annual Statements
TACOM	2.00	Validation of material weaknesses Investigates issues related to establishment effective controls
USASAC	0	Two Auditors were realigned to Studies and Analysis Group. Internal Review support was provided on a consultation basis by realigned personnel.
TOTAL	----- 5.51	

## AMC FY 03 MATERIAL WEAKNESSES

<u>USAMC NUMBER</u>	<u>TITLE</u>	<u>PROPONENT</u>
<u>New in FY 03</u>		
USAMC-03-001	Senior Executive Service (SES) Recruitment Process	G-1, DCS PER
USAMC-03-002	Deployment Pay Cap Limitations	G-1, DCS PER
USAMC-03-003	Lack of Accountability for Assets in Theater	G-3, DCS OPS
USAMC-03-004	Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence	G-3, DCS OPS
<u>Reported in Prior Years</u>		
USAMC-02-001	Revision of Regulations and Policy to Address Changes in Mission and Installation Duties as a Result of Transformation of Installation Management (TIM)	G-2, DCS INTEL
USAMC-02-002	NETCOM Continuity of Operations and Disaster Recovery Plan (COOP/DRP) Management and Responsibilities	G-6, CIO
USAMC-02-003	Civilian Personnel System	G-1, DCS PER
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS
USAMC-01-008	Law Enforcement and Security Operations	G3, DCS OPS
USAMC-01-009	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS OPS
USAMC-01-010	Spares	G-3, DCS OPS
USAMC-01-011	Management Control of Physical Security at the Chemical Sites	G-3, DCS OPS



## AMC FY 03 MATERIAL WEAKNESSES

<u>USAMC NUMBER</u>	<u>TITLE</u>	<u>PROPONENT</u>
<u>New in FY 03</u>		
USAMC-03-001	Senior Executive Service (SES) Recruitment Process	G-1, DCS PER
USAMC-03-002	Deployment Pay Cap Limitations	G-1, DCS PER
USAMC-03-003	Lack of Accountability for Assets in Theater	G-3, DCS OPS
USAMC-03-004	Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence	G-3, DCS OPS
<u>Reported in Prior Years</u>		
USAMC-02-001	Revision of Regulations and Policy to Address Changes in Mission and Installation Duties as a Result of Transformation of Installation Management (TIM)	G-2, DCS INTEL
USAMC-02-002	NETCOM Continuity of Operations and Disaster Recovery Plan (COOP/DRP) Management and Responsibilities	G-6, CIO
USAMC-02-003	Civilian Personnel System	G-1, DCS PER
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS
USAMC-01-008	Law Enforcement and Security Operations	G3, DCS OPS
USAMC-01-009	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS OPS
USAMC-01-010	Spares	G-3, DCS OPS
USAMC-01-011	Management Control of Physical Security at the Chemical Sites	G-3, DCS OPS



**AMC**  
**UNCORRECTED IN FY 03**

<b><u>USAMC NUMBER</u></b>	<b><u>TITLE</u></b>	<b><u>PROPONENT</u></b>
<b><u>New in FY 03</u></b>		
USAMC-03-001	Senior Executive Service (SES) Recruitment Process	G-1, DCS PER
USAMC-03-002	Deployment Pay Cap Limitations	G-1, DCS PER
USAMC-03-003	Lack of Accountability for Assets in Theater	G-3, DCS OPS
USAMC-03-004	Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence	G-3, DCS OPS
<b><u>Reported in Prior Years</u></b>		
USAMC-02-003	Civilian Personnel System	G-1, DCS PER
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G-3, DCS OPS
USAMC-01-008	Law Enforcement and Security Operations	G-3, DCS OPS
USAMC-01-009	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS OPS
USAMC-01-010	Spares	G-3, DCS OPS

**TAB B-2**



UNCORRECTED MATERIAL WEAKNESS

LOCAL ID # USAMC-03-001

Title and Description of Material Weakness: Senior Executive Service (SES) Recruitment Process.

The SES recruitment process requires extensive coordination that often time is lengthy and duplicative to coordination occurring at the major command level (e.g., the major command council coordinates on selections, as does the HQDA General Council). Recommend HQDA review current policy and make every attempt to reduce the recruitment to entrance of duty time to no more than 90 calendar days.

Functional Category: Personnel and/or Organization Management

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Date: N/A

Targeted Corrected Date in Last Year's Report: N/A

Current Target Date: FY 2004

Reason for Change in Date: N/A

Component/Appropriation: Army

Validation Process: Managerial judgment; independent review and audit.

UNCORRECTED MATERIAL WEAKNESS

LOCAL ID #: USAMC-03-001

Results Indicator: Reduction in SES recruitment time to a maximum of 90 days.

Source Identifying Weakness: Management, AMC ADC G1.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestone:

30 Apr 03 Conducted Lean Value Stream Analysis.

1 Jul 03 Followed up with a Lean Rapid Improvement Event that will result in considerable shortening of the recruitment time within AMC.

15 Jul 03 Memo from CG, AMC (GEN Kern) to Mr. Brown, The ASA M&RA requesting delegation of certain authorities in order to streamline and expedite the SES recruitment process.

B. Planned Milestones:

Date: Milestone:

1 Oct 03 AMCIR verify documentation on completed milestones.

HQDA Functional Proponent Participating in Corrective Actions: Ms. Elizabeth Phillips, Deputy Chief, SES Office, Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs (730) 693-1126.

Note: Currently, AMC has 16 SES vacancies. Some recruitment actions have taken up to 1,100 days before appointment of an SES member.

Point of Contact:

Name: Ms. Patricia Long

Office Address: HQ AMC, Office of the DCS G1, ATTN: AMCPE-T  
5001 Eisenhower Avenue, Alexandria, VA 22333-0001  
[plong@hqamc.army.mil](mailto:plong@hqamc.army.mil)

Telephone: Commercial (703) 617-4538, DSN 767

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-03-002

Title and Description of Material Weakness: Deployment Pay Cap Limitations

AMC has critical issues relative to pay cap limitations on deployed employees, which is affecting

The continuity of operations critical in SWA where the stability of the workforce and the Combatant Commander's need to control the numbers and frequency of personnel into and out of The AOR is vital. There are two pay caps involved: (1) THE PREMIUM PAY CAP which limits the amount of salary and overtime to GS-15/10, \$124,783.00 (Title 5, US CODE, Section 5547). (2) ANNUAL CALENDAR YEAR LIMITATION which limits total monies received from all government sources in one calendar year to Executive Level I or \$171,900 (Title 5, U.S. Code, Section 5307). Under the premium pay cap, an employee's salary and overtime is limited to GS-15/10. Because deployed employees frequently work an excessive amount of overtime, when they reach the premium pay cap, which caps the total amount of dollars received for basic pay and overtime in any one calendar year at the maximum rate of a GS-15/10, they can no longer draw overtime. This does not limit basic pay (including locality adjustment as appropriate) or foreign differentials or allowances, so long as all monies received in one calendar year (salary, overtime, differentials and awards) do not exceed the maximum rate. of Executive Level I or \$171,900.00 under the annual calendar year limitation.

Due to the limited number of volunteers with needed skills available to deploy and the need for continuity of personnel in key positions; the pay cap limitations create a significant material weakness.

Functional Category: Personnel and organization management.

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: NA

Targeted Correction Date in Last Year's Report: NA

Current Target Date: FY 2005

Reason for Change in Date: N/A

Component/Appropriation/Account Number: Army

Validation Process: Managerial judgement; independent review and audit.

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27 Aug 2003

### UNCORRECTED MATERIAL WEAKNESS

LOCAL ID # USAMC-03-002

Results Indicators: Statutory change lifting the premium pay cap for those deployed in overseas areas in emergency situations will ensure continuity of operations in critical times.

Source Identifying Weakness: Deputy Commanding General, U.S. Army Materiel Command

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestones:

None.

B. Planned Milestones (Fiscal Year 2004):

Date: Milestones:

1 Oct 04 Propose statutory change during ULB 06 process for FY 06 Defense Authorization Act.

C. Planned Milestones (Beyond Fiscal Year 2004):

None.

HQDA Functional Proponents Participating in Corrective Action: Assistant G1 for Civilian Personnel Policy, Program Support Division for support in legislative proposal.

Note: Premium pay (overtime) must be stopped when the total of premium pay and the amount of basic pay (including locality pay) paid and projected for the balance of the calendar year equals the annual limit. Employees in theater can still work a 40-hour week, as their pay has been prorated to the end of the year. They will not go into a non pay status. There is no authority

in the law to suspend payment of basic pay (including locality pay) based on the amount paid for premium pay. These employees still draw the foreign post differential, hazardous duty, and cash awards.

The premium pay cap is a statutory limitation that was not even waived when all the other laws and regulations were waived for 9/11. Based on information from the Office of Personnel Management, this statute is NOT waivable. OPM also indicated it was not pursuing a change to the law.

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27 Aug 03

#### UNCORRECTED MATERIAL WEAKNESS

LOCAL ID # USAMC-03-002

There are several partial solutions under current law:

Limit length of deployment to ensure those deployed do not reach the premium pay cap. Utilize more volunteers and work them significantly less overtime. Invoke mandatory mobility agreements for those who are on such agreements, such as LARS. Decrease deployments from 179 to 120 days. Hire temporary employees with duty station in the region, with focus on recently retired military personnel. Use case awards to compensate employees who reach the maximum payable under premium pay.

Point of Contact:

Name: Ms. Beth Baird

Office Address: HQ, AMC, ATTN: AMCPE

5001 Eisenhower Avenue, Alexandria, VA 22333-0001

[bairdb@hqamc.army.mil](mailto:bairdb@hqamc.army.mil) DSN 767-9547

Telephone: Commercial (703) 617-9547 DSN: 767

4 Sep 2003

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-003

Title and Description of Material Weakness: Lack of Accountability for Assets in Theater

The speed of advance, prioritization of available transportation assets to other than Class IX and the lack of full utilization of automated identification technology (AIT) capability in Operations (OEF/OIF) hampered efforts to perform basic supply transactions initially. Even as we have moved into the stabilization role, there are still millions of dollars in CL IX inventory that has not been accounted (receipted) for. There is still considerable reconciliation that must be performed, to determine whether all materiel shipped to SWA was received, and sales to the AWCF properly recorded. Work is ongoing, but Army and AMC remain concerned.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 2003

Original Target Date: N/A

Target Date in Last Year's Report: N/A

Current Target Date: FY 2004

Reason for Change in Date(s): N/A

Component/Appropriation: Army/N/A

Validation Process: HQ, AMC review/revision of current policy and regulations, analysis of supply and maintenance documentation reports from Army STAMIS, onsite visits to installations and activities, supply class IX summit meetings/conferences, analysis of budget data.

## UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-03-003

Results Indicators: Army Working Capital Fund (AWCF) sales matching receipt/issue documents, reconciliation of Depot Level Repairables (DLR) repair D6M/D6A transactions with ILAP/LIDB.

Source(s) Identifying Weakness: Operations (OEF/OIF) Situation Reports, metrics for AWCF-owned materiel with non-matching receipts/issues, ILAP/LIDB sales documents not matching materiel that was “pushed” to theater, Found-on-Installation (FOI) transactions, Automated Information Technology (AIT) not fully utilized.

Major Milestones in Corrective Action:

## A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
30 Sep 03	Validate legacy system processes with appropriate Single Stock Fund (SSF) Business Rules, submit system change requests, if required. Validate SSF training at institutions i.e., ORD, QM, Ft. Gillem).

## B. Planned Milestones (Fiscal Year 2004):

<u>Date:</u>	<u>Milestone:</u>
31 Dec 04	Dec FY 04 Monitor and validate metrics for AWCF sales/receipts, monitor AWCF inventory adjustments at Forward Storage Activities.
31 Mar 04	Establish Contingency Deployment Packages (CDP) to include mobile training teams. CDP to be responsible for all retrograde of materiel.
30 Apr 04	AMCIR verify documentation for completed milestones.

## C. Planned Milestones (Beyond Fiscal Year 2004):

<u>Date:</u>	<u>Milestone:</u>
None.	

HQDA Action Required: HQ, DA DALO-SMP approval of establishment of CDP.

Note:

Point of Contact:



Name: Ms. Lauren Reyes

Office Address: HQ, AMC, ATTN: AMCOPS-SLA

5001 Eisenhower Avenue, Alexandria, VA 22333-0001

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## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

### Title and Description of Material Weakness: Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence

Army Wholesale Logistics is currently supported by an obsolete, inefficient automation system that lacks the dynamic, flexible responsiveness necessary to supporting the Army into the 21<sup>st</sup> Century.

The Army's current Wholesale Logistics systems are the Commodity Command Standard System (CCSS) and Standard Depot System (SDS). These thirty-year-old systems are based on outdated business practices, hardware, and software. These systems, written primarily in Common Business Oriented Language (COBOL) 74 code, have evolved into a complex, tightly integrated system that is difficult to maintain and adapt to changing needs. Though continuously modified and revised, these systems remain essentially batch-process oriented, card-image driven non-relational database structured, and user-unfriendly processes. This approach to information management renders CCSS and SDS incapable of supporting future Army objectives in the logistics area, such as total asset visibility, reducing inventory stock through supply chain management, and the Future Logistics Enterprise (FLE). In light of the current commercial environment of Commercial Best Business Practices and Commercial Off-the-Shelf (COTS) software that exemplify an integrated enterprise dealing in real-time information and dynamic integrated processes managed by Enterprise Resource Planning (ERP) software, CCSS and SDS are woefully antiquated systems.

The Army will not be prepared for the future unless it completes an unprecedented transformation in how it supplies and sustains the total Army. It must conduct business process reengineering (BPR) that eliminates activities that do not add value and develop processes that expedite sound decision making, both on the battlefield and at home. To this end, the Logistics Modernization Program (LMP) was conceived in 1997 and created to ensure the Army's combat readiness by modernizing the Army's wholesale logistics processes through the implementation of Commercial Best Business Practices that includes an ERP solution. The LMP will purchase a service, not a system, to replace the Army's current thirty-year-old system.

Functional Category: Supply Operations - Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Replacement

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2004

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Army, AWCF

Validation Process: Independent Review and Audit

Results Indicators: At completion of LMP fielding, the Army Wholesale Logistics system will consist of a streamlined, integrated, state-of-the-art system that will provide significantly improved responsiveness to sustain the Warfighter.

Source(s) Identifying Weakness: Management, Deputy Commanding General of AMC.

Major Milestones in Corrective Action:

Completed Milestones:

Date:	Milestone:
Dec 99	LMP Contract awarded to CSC.
Jul 00	Transfer of legacy system support for CCSS and SDS to CSC.
Nov 00	LMP Business Process Reengineering (BPR) and Analysis (BPR&A) recommendation report approved: SAP recommended as ERP for LMP.
Jun 01	Proof of Concept, business process Blueprint version 1.0 and initial Services Description Document and Implementation Plan completed.
May 02	Blueprint version 2.0 baselined.
Jan 03	Systems Integration Testing (SIT) Initiated.
May 03	"Go-Live" Decision made.
Jul 03	LMP Pilot (First Deployment) initiated.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

Major Milestones in Corrective Action:

B. Planned Milestones (FY 2004):

Date:	Milestone:
Dec 03	Initiate Second Deployment. *
May 04	IRAC Verification of Completed Milestones.

HQDA Functional Proponent Participating in Corrective Actions:

Name: COL Tommy L. Rich, DALO-SMI, Telephone: 703-695-7828, Pentagon,  
[tommy.rich@us.army.mil](mailto:tommy.rich@us.army.mil)

NOTE: \* Third Deployment planned in FY04, date TBD.

Point of Contact:

Name: Keith Fukumitsu

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keith.k.fukumitsu@us.army.mil

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-003

Title and Description of Material Weakness: Civilian Personnel System

In 2001, the President's Management Agenda set strategic management of human capital as one of five government-wide goals, and GAO identified human capital management as a high risk area for federal activities. Effective human capital management entails accurately forecasting workforce and skill needs; training employees in emerging as well as legacy skills and functions; retaining valuable personnel; and staffing up a successor force to experienced employees who will leave. It also includes leading the workforce effectively; strengthening results orientation and consequences for individual performance, and providing for a supportive and simpler personnel system, which attracts talented people to work for the government.

AMC has concerns about the overall civilian personnel system in terms of responsiveness and timeliness; and flexibility in recruitment, development and retention programs; and good links between performance, compensation, and placement. Even with continuing improvements in average fill time, the hiring process takes too long, particularly in a competitive market for outstanding college graduates. Other hiring actions can take several months, such as those for senior executives with their redundant approval processes. The latter is self-imposed by Army internal policies on approval authorities and levels of review.

Functional Category: Personnel and organization management.

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: FY 2005

Targeted Correction Date in Last Year's Report: FY 2005

Current Target Date: FY 2007

Reason for Change in Date: Establishment of Work Force Transformation Planning Group.

Component/Appropriation/Account Number: Army

Validation Process: Managerial judgement; independent review and audit.

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27 Aug 2003

## UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-003

Results Indicators: Establish revitalized workforce (interns, apprentices, fellows) numbers relative to requirements; key occupation loss rates; job fill timeliness; retirement eligibility distribution; numbers/conversions for college students in career experience programs; trained personnel in key professional, leadership, and integrating competencies.

Source Identifying Weakness: Deputy Commanding General, U.S. Army Materiel Command

### Major Milestones in Corrective Action:

#### A. Completed Milestones:

Date:	Milestones:
During 2003	384 DA Interns on Board (96 new hires). 98 Career related experience in Science & Technology Program. Crest 26 New, 108 Acquisition CO-OPS, and 73 Apprentices at AMC Depots. 139 Fellows (50 New).

#### B. Planned Milestones (Fiscal Year 2004):

Date:	Milestones:
Jul 2004	Hire 50 AMC Fellows (Class 4).
Sep 2004	Hire an additional 300-600 AMC (DA ACTEDS) interns.
Sep 2004	Nation-wide recruitment and state universities and colleges.
Sep 2004	Continued recruitment and hiring of CREST students (Goad 25-50).

#### C. Planned Milestones (Beyond Fiscal Year 2004):

FY 2005-2007	Work Force Transformation Planning Group I.
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1 Oct 2008	AMCIR verify documentation on completed milestones.
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HQDA Functional Proponents Participating in Corrective Actions: N/A

Note: In support of workforce revitalization, AMC sustains within the constraints of the budget, a number of professional entry-level programs. The premier entry-level program is the AMC Fellow Program. Since the inception of the program in FY 01, AMC has hired 139 new Fellows (42 for class 1, 47 for class 2, 50 for class 3). The DA-Intern Program is also a viable source for replenishing the residual workforce. In FY 03, AMC has a total of 384 DA-interns on board (including 96 new hires). Student employment programs such as the Career in Engineers,

Science and Technology (98 program participants, including 26 new hires) and the Acquisition cooperative work program (108 program participants, new hires will come on board later in the year) provide a consistent pool of highly qualified candidates for AMC's professional entry-level programs. Additionally, AMC Depots support apprentice programs and cooperative work

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27 Aug 2003

## UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-003

programs to build replacements for retiring skilled wage grade employees. AMC currently has a total of 63 apprentices on board (no new hires). Ten apprentices graduated from the AMC Apprentice Program at Corpus Christi Army Depot on 22 May 2003. AMC has two full-time recruiters who travel the entire continent and Hawaii. They are crucial to the success of obtaining new and highly qualified talent for AMC's entry-level programs. AMC makes the best and most effective use of available hiring authorities, e.g., the Outstanding Scholar and the Federal Career Intern Program appointing authorities and pays recruitment bonuses where appropriate to stay competitive in an active job market. G-1 has developed a plan to conduct a detailed work force analysis to address the near/mid term (2005-2007) and long term (2010-2015) skills requirements of AMC. Under this plan, two separate Work Force Transformation Planning Groups (WFTPG) are to be established with membership from HQAMC and AMC MSC senior staffs. The intent of the WFTP Planning Groups will be to:

- a. Enable AMC to hire and develop a work force with the right skills, in the right place, at the right time.
- b. Achieve desirable resonance between long-term force design in the TAA process and work force staffing and training plans.
- c. Fully integrate and cooperate on AMC work force and human resource management planning across functional and organizational lines.
- d. Make AMC an employer of choice through results-oriented practices, career-oriented opportunities, and a progressive learning culture.

The WFTP PGI will:

- a. Conduct a gap analysis on near/mid term work force and skill set requirements compared to what is/will be available without special intervention.
- b. Develop staffing and developmental plans that will revitalize the work force, ensure AMC has continuity over the next five years, and build key leadership and enterprise management skills.

Point of Contact:

Name: Ms. Beth Baird



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5001 Eisenhower Avenue, Alexandria, VA 22333-0001  
Telephone: Commercial (703) 617-0693 DSN: 767

Date: 27 Aug 2003

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-005

Title and Description of Material Weakness: Industrial Base (IB) Management, Analysis, and Planning

Army lacks sufficient IB planning capability to efficiently and effectively support contingency operations and the transformation.

Headquarters (HQ) staff management has been reduced over the last several years such that there is inadequate management level expertise to effectively manage the Army's IB Program. There is no systematic mechanism across the Army Materiel Command (AMC) to perform industrial base planning. There is no coordination mechanism in AMC to develop guidance, coordinate, analyze, prioritize, and elevate readiness issues from the Program Managers (PM's) and the Major Subordinate Commands (MSCs) to cultivate a consistent analysis approach, identify priority issues from a common perspective, and address those issues. This includes the lack of ability to identify industrial base issues that would prevent us from meeting contingency or replenishment requirements. There is no systematic approach among the PM's/Acquisition Category (ACAT) systems to perform IB planning.

Functional Category: Industrial Base Planning/Management

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: FY 2004

Current Target Date: FY 2004

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Industrial Preparedness Operations (IPO) Account

Validation Process: Independent Review and Audit

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-005

Results Indicators: Industrial Base Office at AMC and MSCs staffed with ability to identify production base capabilities, issues and shortfalls, coordinating across all levels of the Army.

Source(s) Identifying Weakness: Issue raised by the Commanding General of AMC.

## Major Milestones in Corrective Action:

## A. Completed Milestones:

Date:	Milestone:
Sep 01	HQDA Approved Army IB Strategy.
Oct 01	Provide resources to HQ, AMC & MSC's.
Nov 01	Support HQDA update of AR 700-90.
Aug 02	Provided preliminary assessment approach, response to PBD 407 and GAO Report 02-650.
Oct 02	Provide resources to HQ, AMC & MSCs.
(Deleted)	
Feb 03	Updated AR 700-90 approved (Change to Chap 2, Responsibilities, approved May 03.
Apr 03	AMC-R, Missions and Functions with attendant TDA approved.
Sep 03	Provide followup assessment results.
(Deleted)	
Sep 03	Support HQDA continuing update of AR 700-90.

## B. Planned Milestones (Fiscal Year 2004):

Date:	Milestone:
Nov 03	AMCIR verify documentation for completed milestones.

## C. Planned Milestones (Beyond Fiscal Year 2004):

Date:	Milestone:
None.	

HQDA Functional Proponent Participating in Corrective Actions: N/A

Note: Coordinate strategy with HQ Department of the Army. Coordinate with, fund and staff AMC and MSCs. Establish planning procedures. Implement analysis and planning procedures. Recommend closure in FY 04.

## Point of Contact:

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Telephone: Commercial (703) 617-5008    DSN: 767

Date: 27 Aug 2003

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-008

### Title and Description of Material Weakness: Law Enforcement and Security Operations

The Army Materiel Command has a serious shortfall in law enforcement operations. The Army has not received sufficient funds to procure adequate staffing for police and guard services. AMC installations cannot support other than minimal requirements under normal operating conditions. This problem is compounded when staffing procurement is addressed. Low pay, low morale, overtime requirements, inadequate equipment and minimum training are only a few of the issues related to retention of personnel. Civilian service recruitment and retention initiatives are another area of concern. Recruitment often times is a lengthy process. Government police and guard positions are not salary competitive with industry. Retaining individuals when they reach full employment and operations status is questionable. Furthermore, and with only a few exceptions, there are no alternative solutions to this weakness because it continues to be compounded by the prohibition on contracts for performance of security functions at military installations and facilities (Title 10, Section 2465).

Functional Category: Personnel - Force Protection (Law Enforcement Operations)

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2003

Current Target Date: FY 2005

Reason for Change in Date(s): Recognition of DAMA-ODL/USAMPS ACP Study manpower requirements and anticipated TDA modification.

Component/Appropriation/Account Number: Various, to include Operations Maintenance, Army (OMA) and Army Working Capital Fund.

Validation Process: Independent Review and Audit

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-008

Results Indicators: Installations performance of police and guard functions at installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. Higher FPCON would require additional support.

Source(s) Identifying Weakness: Management - Directed by CG, AMC

## Major Milestones in Corrective Action:

## A. Completed Milestones:

Date:	Milestone:
Sep 01 and 02	Working with FORSCOM to acquire AC and RC units to support security force operations on AMC sites during heightened FPCON.
May 03	Submitted contract guard requirements to HQDA (DAMO-ODL) under provisions of Defense National Authorization Act of 2002 signed by the President on 1 Dec 02.
May 03	G1, G2 and G3 completed IPR on expeditious actions for hiring of guards and disseminated guidance to the field.

## B. Planned Milestones (Fiscal Year 2004):

Date:	Milestone:
Nov 04	Re-validate manpower requirements from DAMO-ODL/USAMPS ACP Study in manpower requirements drill.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-008

Major Milestones in Corrective Action:

C. Planned Milestones (Beyond Fiscal Year 2004):

Date:	Milestone:
Nov 05	Re-validate manpower requirements from DAMO-ODL/USAMPS ACP Study in manpower requirements drill.
Dec 05	AMCIR verify documentation on completed milestones.

HQDA Functional Proponent Participating in Corrective Actions: HQDA, DAMO-ODL, LTC Samuel Mansberger/ COL Luce, Commercial (703) 695-9319/614-1061, DSN: 225-9319/224-1061

Note: FY 05 - HQDA (DAMO-ODL is establishing a Civilian Police Academy at U.S. Army Military Policy School, Fort Leavenworth, MO - under TAA011 initiative actions to incorporate additional manpower in FY 05.

Point of Contact:

Name: Ms. Sandra Wilson / COL Louis Fuertes

Office Address: Office of Security, Force Protection and Law Enforcement  
ATTN: AMCOPS-CS, Bldg # 392, Fort Belvoir, VA

Telephone: Commercial (703) 704 - 0163/0158 DSN: 654

Date: 27 Aug 2003

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-009

Title and Description of Material Weakness: Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel

The Army Materiel Command has a serious shortfall in force protection (law enforcement and physical security) operations. Requirements have been requested annually to procure and sustain physical security equipment and materiel in support of Force Protection.

Functional Category: Force Protection (Physical Security and Law Enforcement Operations)

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2003

Current Target Date: FY 2005

Reason for Change in Date(s): To stay in resource management cycle for identification and submission of requirements.

Component/Appropriation/Account Number: Various, to include Operations Maintenance, Army (OMA) and Army Working Capital Fund.

Validation Process: Independent Review and Audit



## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-009

Results Indicators: Installations performance of physical security and protection of Army assets at the installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. Higher FPCON would require additional support.

Source(s) Identifying Weakness: Management - Directed by CG, AMC

## Major Milestones in Corrective Action:

## A. Completed Milestones:

Date:	Milestone:
Jan 02	Worked with AMC G8 (OMA, Army Working Capital Fund (AWCF), and G3 (Chemical Biological) and G3 (Ammunition) on Schedule 75 and POM submission of requirements.
Jan 03	Worked with AMC G8 (OMA, Army Working Capital Fund (AWCF), G3 (Chemical Biological) and G3 (Ammunition) on Schedule 75 and POM submission of requirements.

## B. Planned Milestones (Fiscal Year 2004):

Date:	Milestone:
Jan 04	Work with AMC G8 (OMA, Army Working Capital Fund (AWCF) and G3 (Chemical Biological) and G3 (Ammunition) on Schedule 75 and POM submission of requirements.

## C. Planned Milestones (Beyond Fiscal Year 2004):

Date:	Milestone:
31 Jan 05	AMCIR verify documentation on completed milestones.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-009

HQDA Functional Proponent Participating in Corrective Actions: HQDA, DAMO-ODL,  
LTC Louis Lewis / COL Luce, Telephone: Commercial (703) 695-9319/614-1061, DSN: 225-  
9319/224-1061.

Note:

Point of Contact:

Name: Ms. Sandra Wilson / COL Louis Fuertes

Office Address: Office of Security, Force Protection and Law Enforcement

ATTN: AMCOPS-CS,

Telephone: Commercial (703) 704 - 0163/0158

DSN: 654

Date: 12 Sep 2003

## UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-010

### Title and Description of Material Weakness: Spares

The Army Materiel Command has been under-resourced in the support of Army-managed spares.

Through August 2003, the Army Working Capital Fund-Supply Management Army (AWCF-SMA) spares requirement stands at \$8.197B. AWCF-SMA funding through that period was \$6.878B, or 84% of the requirement. The FY 03 Unfinanced Requirement is \$1.3B. Most affected by this shortfall is the RESET Program.

### Functional Category: Force Readiness

#### Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: FY 2003

Current Target Date: FY 2004

Reason for Change in Date(s): Because we didn't get fully funded this FY, we will carry over about \$1.3B into FY04.

Component/Appropriation/Account Number: Army AWCF

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-010

Results Indicators: Approved Army Working Capital Fund (AWCF) resources that support a spares supply availability of at least 85% for all commodities and fully supports Army's RESET Program.

Source Identifying weakness: Management - Directed by the CG, AMC.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
1QFY03	Received \$2942M Obligation Authority (OA).
2QFY 03	Received additional \$1708M OA.
3QFY 03	Received additional \$1046M OA/TOA.

B. Planned Milestones (Fiscal Year FY 2004):

Date:	Milestone:
31 Dec 03	Obtain funding for entire spares program.
31 Feb 04	AMCIR verify documentation for completed milestones.

C. Planned Milestone (Beyond Fiscal Year FY 2004):

Date:	Milestone:
None.	

HQDA Functional Proponent Participating in Corrective Action: HQDA, G4; HQDA, G8; and HQDA PA&E - Support the additional FY 03/04 reset requirement. Work with AMC and OSD to fully fund the Army spares program.

Note: AMC received \$5696M through 3QFY 03 in support of peacetime and OIF-related contingency operations (Con Ops). This amount represents a 90 percent funding level of total peacetime and Con Ops requirements. In addition, AMC has identified an additional spares requirement of \$1465M to support FY 03 Reset requirements and \$1657M for FY 04. To date, Reset is unfunded.

Point of Contact:

Name: Mr. Robert King

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**AMC MATERIAL WEAKNESSES**  
**CORRECTED DURING FY 03**

<b><u>USAMC NUMBER</u></b>	<b><u>TITLE</u></b>	<b><u>PROPONENT</u></b>
02-001	Revision of Regulations and Policy to Address Changes in Mission and Installation Duties as a Result of Transformation of Installation Management (TIM)	G-2, DCS INTEL
*02-002	NETCOM Continuity of Operations and Disaster Recovery Plan (COOP/DRP) Management and Responsibilities	G-6, CIO
01-011	Management Control of Physical Security at the Chemical Sites	G-3, DCS OPS

\* Reported to HQDA for information only in FY 02. No planned milestones at HQ, AMC, therefore, no verification needed (Closed).

TAB B-3

27 Jul 03

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-001

Title and Description of Material Weakness: Revision of Regulations and Policy to Address Changes in Mission and Installation Duties as a Result of Transformation of Installation Management (TIM).

TIM implemented changes in various programs which transitions spaces and dollars, but hasn't modified regulations and policy. Detailed guidance for a clear, unambiguous understanding of the separation of functions and responsibilities amongst the Installation, the Senior Mission Commander, and other tenant Commanders, remains very unclear.

Functional Category: Other; crosses multiple functional areas

Pace of Corrective Action:

Year Identified: FY 2002

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: FY 2003

Current Target Date: FY 2003

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Army

Validation Process: Management judgement; independent review and audit.

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27 Jul 03

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-001

Results Indicators: Revision of current policy documents and regulations will result in successful transition of installation programs from mission to the installation. Detailed guidance will allay fears of MACOM's MSCs that they will, by regulation, retain responsibility for "installation programs" without requisite personnel and funding to accomplish the mission. Clear separation, in regulation and policy documentation, of installation and mission responsibilities will ensure proper mission handoff, eliminate potential conflicts in resources, enhance command and control, and permit a better environment for oversight.

Source(s) Identifying Weakness: Management, G-2

Major Milestones in Corrective Action:

Completed Milestones:

Date:	Milestone:
14 Jun 02	Sent Memorandum to DA voicing concerns with lack of revised policy.
11 Sep 02	Sent Memorandum to DA voicing concerns with lack of revised policy.
31 Mar 03	Sent Memorandum, signed by DCG to DA voicing concerns with lack of revised policy.
16 Jul 03	AMCIR verified completed milestones.

Planned Milestones (Fiscal Year 2004):

Date:	Milestone:
None.	

Planned Milestones (Beyond Fiscal Year 2004):

Date:	Milestone:
None.	

HQDA Functional Proponent Participating in Corrective Action: ACSIM, Harry Helfrich, 703-602-2735, [harry.helfrich@hqda.army.mil](mailto:harry.helfrich@hqda.army.mil)

#### CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-001

NOTE: This problem should be reported by HQDA in the future. If not corrected this FY, HQ, AMC alone cannot fix the problem. HQDA advised AMC that "many of our concerns could be mitigated by open communications between installation and mission commander." While that may be true, what assurance has been/will be provided for TIM implementation that this will be the case? As it stands now, many AMC MSCs believe that they will transfer (lose) the resources to accomplish the mission while retaining significant responsibilities to ensure that the mission is properly executed. We believe these



concerns are systemic and not unique to AMC and must be addressed and resolved ASAP to TIM implementation.  
Recommend Closure.

Point of Contact:

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Telephone: Commercial (703) 617-9066 DSN: 767-9066

Date: 10 Jul 03

## CORRECTED MATERIAL WEAKNESS

Local ID# USAMC-02-002

TITLE AND DESCRIPTION OF MATERIAL WEAKNESS: NETCOM Continuity of Operations and Disaster Recovery Plan (COOP/DRP) Management and Responsibilities.

U.S. Army Materiel Command (AMC) and its components have invested heavily on information technology (IT) applications critical to the successful fulfillment of its mission. These applications are currently hosted on servers and transit networks that were previously AMC assets. With the standup of U.S. Army NETCOM on 1 Oct 02, networks, hardware ownership/maintenance, and network defense has become the responsibility of the new command. Of specific concern to AMC is NETCOM's response to a natural or man-made event affecting AMC applications and information hosted on NETCOM servers or transiting NETCOM networks.

The objective of any COOP/DRP developed by NETCOM is to assure that the capability exists to continue essential functions and provide access to information across a wide range of potential emergencies. Any NETCOM COOP/DR plan should:

- (1) Ensure the continuous availability of hosted AMC applications/essential functions/operations.
- (2) Reduce or mitigate disruptions to AMC operations and information from a broad spectrum of threats.
- (3) Reduce loss of life, minimize damage and losses, and achieve a timely and orderly recovery to resume essential functionality to AMC and its customers.

AMC's COOP/DRP role is to provide a list of applications and information hosted by NETCOM that are critical to AMC operations and provide them as inputs to the NETCOM COOP/DRP planning process. A service level agreement (SLA) should be developed between NETCOM and AMC/MACOM/MSD that specifically outlines AMC's needs and expectations, and NETCOM's responsibilities to provide those needs at a commensurate level of support. Current COOP/DRP plans, if they exist, may not have been thoroughly tested and likely would fail or cause extended delays in resuming operations critical for national defense.

Functional Category: Information Technology

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Date: 10 Jul 03

## CORRECTED MATERIAL WEAKNESS

Local ID# USAMC-02-002

Pace of Corrective Action:

Year Identified: FY 2002

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Army

Validation Process: Managerial judgement; independent review and audit.

Results Indicators: Lack of defined Continuity of Operations/Disaster Recovery Plan (COOP/DRP) to support AMC applications and information hosted on NETCOM equipment. NETCOM needs to rapidly develop comprehensive COOP/DRP plans and procedures, exercise them and address problem areas with mitigation actions. This will establish a baseline on which to build.

Source(s) Identifying Weakness: Management - AMC CIO/G-6

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestone:  
None

B. Planned Milestones (:

Date: Milestone  
None.

C. Planned Milestones (Beyond:

Date: Milestone:  
None.

Page 3

Date: 10 Jul 03

CORRECTED MATERIAL WEAKNESS

Local ID# USAMC-02-002

HQDA Functional Proponent Participating in Corrective Actions: N/A

Note: Reported to HQDA for information only in FY 02. No further action is required by HQ, AMC. IRAC verification not needed because there were no planned milestones to review.

Point of Contact:

Name: John Roe

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Date: 4 Apr 03

## CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-011

Title and Description of Material Weakness: Management Control of Physical Security at the Chemical Sites

SBCCOM uses results of the Physical Security inspection process along with the Chemical Surety Inspection, Surety Management Review, CSEPP/IRFX Exercise process, and DA/IG visit results to evaluate the chemical sites each year under the Management Control Process. In

FY 01, SBCCOM expected a physical security material weakness to arise in FY 02 among chemical stockpile storage sites. This declaration was a proactive step taken to ensure appropriate continued management emphasis, in advance of any FY 02 evaluation results. It was based on results of previous inspections where repetitive physical security deficiencies were noted. Due to the events of 9/11, there has been an enormous scope of changes in the physical security posture of SBCCOM's chemical weapons storage sites as with the entire Federal Government. These changes have greatly enhanced our overall physical security, force protection, anti-terrorism, and law enforcement capabilities. In addition, specific point defense of chemical weapons storage sites has now been implemented through deployment of approximately 1,200 military RC/NG military personnel among these sites. Finally, SBCCOM instituted an intensive preparatory regime (e.g., Command Tiger Team Assistance, Site-to-Site augmentation, etc.) for all chemical surety inspections conducted so far in FY 02, and to be conducted for the foreseeable future. The sum of these security-related changes amount to a total revamping of the way physical security among these sites is managed and implemented.

Functional Category: Communications/Intelligence/Security

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: FY 2003

Current Target Date: FY 2003

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number:

Validation Process: Independent Review and Audit

## CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-011

Results Indicators: Institution of extensive changes in physical security, force protection, anti-terrorism, and law enforcement procedures, assets and capabilities resulting from events of 9/11.

Effective implementation of these changes to be validated through review of the results of Chemical Surety Inspections, Surety Management Reviews, Physical Security Surveys and CSEPP Exercises conducted through FY 03.

Source(s) Identifying Weakness: Management - Directed by the AMC Commanding General (GEN Coburn)

## Major Milestones in Corrective Action:

## A. Completed Milestones:

Date:	Milestone:
29 Aug 02	Deployment of CSDF Military populations at each chemical weapons storage site.
29 Aug 02	FPCON Charlie enacted at all chemical weapons storage sites, installation wide.
29 Aug 02	CSI Tiger Team established. Operational procedures prepared and instituted.
1 Nov 02 (Deleted)	Successful defense of requirement from full resources needed for permanent support to FPCON Charlie security posture.
1 Nov 02 (Deleted)	Hiring Actions for additional security guards approved and executed.
1 Nov 02 (Deleted)	Acquisition of security systems, equipment, vehicle and supplies needed for long-term FPCON Charlie status.
3 Mar 03	AMCIR verified completed milestones.

## Planned Milestones (Fiscal Year 2004):

Date:	Milestone:
None.	

## CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-011

Major Milestones in Corrective Action:

Planned Milestones (Beyond Fiscal Year 2004):

Date:	Milestone:
None.	

HQDA Functional Proponent Participating in Corrective Actions: N/A

Note: Recommend closure.

Point of Contact:

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**MANAGEMENT CONTROL PROGRAM AND  
RELATED ACCOMPLISHMENTS**

**U.S. Army Materiel Command (HQ, AMC)**

**Management Control Training in the US Army Materiel Command**

**Description of the Issue:**

The US Army Materiel Command (HQ, AMC) needed to expand the scope of management control training provided to its Assessable Unit Managers and other Senior managers.

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**Accomplishments:**

During the FY 03 Annual Statement process, requested G-staff heads change their points of contact to management control administrators. This means we will have alternate management control training programs established in most G-staff offices within the headquarters. New alternate training programs have already been established in G-8, G-6 and G-1.
HQ, AMC MCA worked with AMC IG, G-8 (Headquarters Budget Office) and Assistant Chief, IRAC to obtain funding to bring USDA on-site for a one-day management control training class. Funding has been provided to USDA and the first on-site class will be conducted during FY 04.
HQ, AMC MCA copied and distributed individual copies of the Management Control and Marketing CD to major subordinate commands and separate reporting activities to increase availability of training materials in the field. This CD helps smaller organizations increase their training statistics. HQ, AMC MCA placed additional training materials and articles on the internal shared drive for use by HQ, AMC Management Control Administrators.
SBCCOM conducts a regular on-site USDA Management Control Administrator's Course on a continuous basis. The course was brought on site in April 2003 by the North East Regional Civilian Personnel Office. This two-day on-site course for Management Control Administrators supports reduced travel costs and helps encourage AUMs/MCAs to attend the formal training, while increasing focus on management controls.
TACOM Force Management created a video entitled "Why Report Material Weaknesses?" The Deputy Commanding General provided an introduction for the video to stress the importance that the senior leadership places on management controls. They also, published a newsletter for all sites to help pull together all aspects of the Management Control Program and to stay in touch with customers. Internal intranet is used to provide guidance via Command Bulletin Board related to command's management control process.
JMC held a management control video teleconference training session for seven subordinate sites



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#### **Transformation within U.S. Army Materiel Command**

##### **Description of the Issue:**

- The U.S. Army Materiel Command feels its important to have a proactive approach to the Army Transformation.

##### **Accomplishments:**

Commanding General, AMC published a Transformation White Paper. This paper included information on: The AMC Vision, transforming AMC organization structures, transforming business processes, and transforming the AMC workforce.
G-6 published a memorandum on mission critical role of internal management control in regards to Army's transformation and ongoing global war on terrorism, which also outlined his expectations for proactive processes, and continued review of their individual Management Control Plan.
Executive sessions for both SBCCOM and RDECOM, as well as a RDECOM transitioning meeting are held each week along with a monthly Commander's meeting.
SBCCOM felt it was important to have a proactive management control process in place during this year of transitioning. They expanded the use of their automated Management Control Reporting Tool (MCRT) to include: access control and electronic filing of their feeder statements from each Assessable Unit Manager (AUM).
JMC held a management control workshop. The attendees had input into how the JMC would implement the command's management control process in view of changes effective this fiscal year.
TACOM is integrating the principles and processes of management control process in their revitalized Command Inspection Program and their ongoing LEAN initiatives. TACOM uses existing management review processes to build controls into daily business processes wherever possible to ensure the successful and effective completion of mission requirements. In their periodic newsletter, they stress that Commander and all managers benefit from combining good strategic planning with strong management controls.

**TAB B-4**

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**Government Purchase and Travel Card Programs**

**Description of the Issue:**

The Army Materiel Command further improved its performance in both the Government Purchase Program and the Travel Card Program during FY 03.

**Accomplishments:**

The DCSRM, G-8 collaborated with the Office of Command Contracting to identify GPC delinquencies throughout AMC, as well as respond to various internal/external audit inquiries. During FY 03, HQ, AMC virtually eliminated GPC delinquencies and used the PCMS/C.A.R.E. reporting mechanisms to avoid instances of GPC fraud.
HQ, AMC continued as the best Army Program Coordinator (APC) in terms of GTC delinquency rate. AMC GTC delinquencies have dropped below 2% (Army Goal of 4%) as AMC continued its zero tolerance policy for delinquencies. AMC provided HQDA a "Best Practices" model for presentation at the 4 <sup>th</sup> annual GSA SmartPay Conference.
HQ, AMC has collaborated with the DOD DTS Program Management Office (PMO) and HQDA to begin DTS fielding throughout AMC. The DTS not only streamlines travel processing but also provides a singular budget and accounting reporting mechanism for Command Stewardship of scarce travel resources.
All IMPAC cardholders in the G-1 meet monthly to discuss future purchase requirements and updates them on items that are considered as illegal purchases. During this meeting they submit their vouchers, with their purchase lists to the APC. All new policies and procedures implemented by DCC-W are discussed at this time. This enables better management controls within the G-1 purchase card program.
HQ, AMC IRAC conducted an audit of the HQ, AMC travel card program during FY 03. Instances of travel card abuse were found and brought to the attention of applicable supervisors. The HQ, AMC Commanding General requested IRAC perform another audit command-wide.
HQ, AMC IRAC is performing a continuous oversight of both Purchase Card and Travel Card Programs in conjunction with Office of Command Contracting and DCSRM, G-8. They are looking for potential abuse of the cards.